

The
Management
University
of Africa



Sponsored by the Kenya Institute of Management

UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 204: ENTREPRENEURSHIP

DATE: 2nd, DECEMBER 2014

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory .
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read this case carefully and answer the questions that follow:

JAMII ENTERPRISES

Jamii Enterprises is an import export business that was formed by Juma, a retired public servant, to trade in supplies like rice, wheat, sugar and medicines. Jamii targets institutions like hospitals, schools, colleges and universities and non governmental bodies.

In the last five years that Juma has been in business, he has made it a daily ritual to scan through all the major dailies and relevant websites for tenders. He then proceeds to apply for these tenders hoping that Jamii will be at best awarded the tender or at worst get pre-listed. If Jamii is awarded a tender and the purchase order is received, Juma then proceeds to secure financing from his bank on the strength of the order. Once the bank approves financing, Juma can then start the process of opening a letter of credit which signals the supplier to dispatch the goods. Once the goods arrive at the port, Juma personally attends to the clearing process and sees to it that the goods are dispatched by road to the client.

One of the challenges that Jamii has faced over the years is working capital constraints. This arises due to the fact that goods may take more than two months to arrive by sea and further time is needed for clearance and delivery of goods by road. Depending on the terms and conditions, the client may pay Jamii two months after the invoice date, further tying up funds. However, Juma has maintained a good working relationship with his bank, making it easy to secure overdraft facilities.

Although Jamii's growth has not been phenomenal, Juma can comfortably say that he manages to make a decent living from his import export business. The reason for his success is partly due to the fact that Juma has maintained low operating costs preferring

to work from home rather than hire an office and getting personally involved in all aspects of the business.

As an expansion strategy, Juma is considering partnering with other players to co-own warehouses and trucks. The idea of diversifying into related businesses such as clearing and forwarding has also crossed Juma's mind. However, in order to proceed with his plans, Juma needs to have access to capital financing which so far has not been forthcoming due to lack of collateral. The only option left for Juma, is to risk straining family relations by using his house in Nairobi or the family land in Machakos County as security for the loan.

Required:

- a) Illustrate five sources of business ideas that can be useful to the business above. (5 marks)
- b) The owner of the above business is considering getting financing for expansion. Explain the difference between micro finance institutions and savings and credit societies. (10 marks)
- c) Which five entrepreneurial traits best describes the entrepreneur in the above case. (5 marks)
- d) Distinguish between acquisitions, mergers and joint ventures. Which of the three is most suitable for the above business? (5 marks)

QUESTION TWO

- a) Baraza is the owner of an informal business in western Kenya. Baraza has heard of the Micro & Small Enterprises Act which came into effect on 4th January 2013. Describe four ways in which such businesses will benefit from the Act? (9 marks)
- b) Mama Sam is a trader at Wakulima Market. Despite her diligence, Mama Sam's business has achieved insignificant growth over the years. Some of the challenges that she faces include limited business management skills, exploitation by middle men and lack of collateral. What initiatives have been taken to address the challenges faced by the likes of Mama Sam. (6 marks)

QUESTION THREE

- a) Give four advantages of acquiring an existing business. You are a consultant for a supermarket business that is considering acquiring another similar business as part of its expansion plans. You are required to evaluate the business that is on sale on behalf of your client. What facts will you endeavor to establish? (9 marks)
- b) Magic Motors is a motor vehicle spare parts dealer cum garage in Nairobi. The business operates from its own premises in industrial area where spare parts for Japanese vehicles are kept. The business has been experiencing cash flow problems due to the large inventory held and uncollected debts.

Describe **three** types of asset based loans that are available to the business.

(6 Marks)

QUESTION FOUR

- a) Enumerate the ways in which a partnership can be dissolved without a court order. (6 Marks)
- b) Examine the various ways in which businesses can be classified as Micro, Small and Medium Enterprises. (9 Marks)

QUESTION FIVE

- a) Distinguish between companies limited by shares and companies limited by guarantee. What is the purpose of having companies limited by guarantee? (6 marks)
- b) Distinguish between the roles of the entrepreneur and those of a manager and entrepreneurial leader with respect to the Vision of the business. (9 marks)

QUESTION SIX

- a) You are required to evaluate a business plan submitted by the owner of a guest house in Embu County who needs to expand her business. In evaluating the plan, what six questions will you ask the owner? **(6 Marks)**
- b) Distinguish between the entrepreneurial decision process and the entrepreneurial process. **(9 Marks)**